CAPITAL PROJECTS AND BOND OVERSIGHT COMMITTEE

Minutes

October 21, 2008

The Capital Projects and Bond Oversight Committee met on Tuesday, October 21, 2008, at 1:00 PM, in Room 169 of the Capitol Annex. Representative Mike Denham, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Elizabeth Tori, Co-Chair; Representative Mike Denham, Co-Chair; Senators Tom Buford, Jerry Rhoads, and Dan Seum; and Representatives Steven Rudy and Jim Wayne.

Guests testifying before the Committee: Jonathan Miller and Paul Kaplan, Finance and Administration Cabinet; Walter Clare, Kentucky Housing Corporation; Jim Host, Louisville Arena Authority; Bob Wiseman, University of Kentucky; John Osborne, Western Kentucky University; Larry Owsley, University of Louisville; John Hicks, Governor's Office for Policy and Management; Debby Milton, Kentucky Infrastructure Authority; Katie Smith, Economic Development Cabinet; Brett Antle, Office of Financial Management; and Austin Simms, Lexington Housing Authority.

LRC Staff: Nancy Osborne, Shawn Bowen, Kristi Culpepper, Don Mullis, and Jennifer Luttrell.

Representative Wayne made a motion to approve the minutes of the September 16, 2008 meeting. The motion was seconded by Senator Tori and approved by voice vote.

Representative Denham announced that the Committee would hear an update on the current financial markets. Jonathan Miller, Secretary of the Finance and Administration Cabinet, was invited to the table to update the Committee on the status of State Property and Building Commission projects in relation to the financial markets.

Secretary Miller thanked the Committee for allowing him the opportunity to say a few words regarding the financial crisis. He reported that in response to these challenging economic times, on October 9 the Governor established the "Economic Action Team" comprised of senior administration officials that would keep them apprised of market events and develop ideas to assist Kentuckians. To navigate these challenges, Secretary Miller reported that the Governor has directed the creation of a web site to provide information related to home mortgages, credit counseling, financial institutions, and insurance.

Secretary Miller said two task forces, one on early childhood education and the other on higher education, would be established to position the workforce for the inevitable turn around in the economy. Also, his administration will be operating leaner and more efficiently to continue to provide needed services to citizens during these difficult times.

Secretary Miller reported that in early July, at the beginning of the fiscal year, the Finance Cabinet issued $400 million of Tax and Revenue Anticipation Notes to provide working capital for state operations, thus avoiding the predicament that California and Massachusetts found themselves in recently wondering if they would be able to make payroll. In August, the Cabinet facilitated a $50 million bridge loan to the Kentucky Higher Education Student Loan Corporation that provided funds for Kentucky students to obtain student loans for the 2008-2009 academic year. In early September, the Cabinet assisted the Kentucky Housing Corporation with its first transaction under the federal Housing Assistance Tax Act, providing $70 million to continue the first-time home buyer program for low-to-moderate income Kentuckians.

In early October, approximately $400 million of State Property and Buildings Commission (SPBC) bonds were issued to provide permanent financing for capital projects authorized by the General Assembly since 2005. This funding will ensure that important construction projects that are already underway for higher education, health and public safety, and economic development can continue to move toward completion. The Cabinet also refunded $200 million in outstanding General Fund Project Notes issued under the Kentucky Asset / Liability Commission (ALCo) interim financing program.

While the commercial paper markets experienced a temporary dislocation in September and early October, Secretary Miller said that the market is anticipated to improve in early 2009 as investors become more comfortable with government guarantees for liquidity and credit providers.

Next Secretary Miller posed questions he thought would be of interest to the Committee. Should the state borrow money during these difficult times and markets? The Administration's response was an unqualified "yes," because during these tough times it is more important than ever for the state and federal government to invest in public infrastructure and the public's well-being. He noted that these funds are critical to maintaining policy objectives for higher education, health and public safety, and economic development. Additionally, he said that the continuation of these projects means that employment continues as well as the opportunity for new jobs.

How can Kentucky access the market at favorable terms while other bond issuers cannot? Secretary Miller's response was that Kentucky has several advantages. First, the state has a history of passing balanced budgets based upon reasonable revenue estimates provided by the Consensus Forecasting Group. Second, the state has a history of being proactive in making budget reductions during difficult times. Third, the state has a solid credit record, including paying debt service even in times when the state did not have an enacted budget. Finally, the state has a centralized debt management process that is responsive to market conditions.

Secretary Miller reported that during a time when most state and local governments postponed bond transactions of any significant size, these positive attributes allowed the Commonwealth to move quickly in what appeared to be a frozen municipal bond market in early October. Strong planning and flexibility permitted Kentucky to raise the much-needed funds on favorable terms before the cost of capital rose a reported 54 basis points to 6.01% as measured by the Bond Buyer 20 Bond General Obligation Bond Index. The Commonwealth's uninsured General Fund supported bonds, SPBC Project 90, issued on October 7, had an all-in-true interest cost of 5.49%. By comparison, the AA-rated State of New York General Obligation bonds issued last week carried a maximum yield of 6.40%. During the same period, Berkshire Hathaway insured Pennsylvania Turnpike bonds had a maximum yield of 6.25%.

Secretary Miller said the cost to access capital in the bond market has gone up dramatically since the late spring and early summer (SPBC Project 89 was sold in April 2008 at approximately 4.62%). Secretary Miller indicated that the increased cost of capital can be attributed to the failure of a number of highly-leveraged financial institutions that were under extreme stress and needed to raise capital from their only remaining liquid assets, including their municipal bond portfolios. As a result, there has been a flood of municipal paper in the market as institutions continue to deleveraging to improve their capital ratios. Additionally, there is a back-log of governmental borrowing for new projects. As a result, investors have become much more particular and are focusing more on credit issues and are charging premiums more consistent with those from years past.

Secretary Miller indicated that he was pleased with the actions the Cabinet has taken to date in response to the economic crisis. The Administration will continue to look for other ways to reduce costs while maintaining services. He asked the Committee if they had any questions.

Representative Wayne asked about one of the issues discussed at a recent meeting of the Housing Policy Advisory Committee of the Kentucky Housing Corporation (KHC). An increase in the number of homeless people in Kentucky is anticipated and a number of advocacy groups have suggested that funds being made available from the federal government be channeled into continuum of care programs. Some of the advocacy groups are concerned that government might not be receptive to some of the ideas generated from outside of government. He asked Secretary Miller if it would be possible to establish, either within the Housing Policy Advisory Committee or separately, a task force to prepare for what could happen if this crisis continues and thousands more Kentuckians become homeless. Secretary Miller responded that it was a very valuable idea and that he would follow up with the Governor on the issue.

Mr. Walter Clare, Financial Management Senior Director, KHC, confirmed that the Housing Policy Advisory Committee met last week to solicit input from its partners on how to use the federal funds. Another topic discussed was the preventative steps being taken through the Homeowner Protection Center, which the Governor created to prevent homelessness caused by foreclosures.

Representative Wayne asked if KHC will run out of money by the end of the calendar year unless additional bonds are sold. Mr. Clare responded that the KHC has $40 to $45 million available from bonds sold under its $70 million authorization. When those funds are exhausted, KHC will use money internally generated of about $30 or $40 million that would last until February 2009. It is KHC's hope that it will be able to issue bonds between now and the end of the calendar year. Another alternative KHC would explore is marketing its housing bonds to retail investors.

Senator Seum asked what percentage of the mortgages made in Kentucky are in foreclosure. Mr. Clare responded that he did not know about the state in general, but defaults constituted about 1 percent of KHC's portfolio, which has been fairly consistent within the last year. He also indicated that Kentucky is not as impacted by foreclosures as other states.

Senator Seum commented that he had seen a report that showed a national foreclosure rate of 2.7 percent and wondered if housing is really an issue or just a media reaction. Mr. Clare suggested that a reason why the word "crisis" is associated with the issue is that places like Modesto, California, have an 18% foreclosure rate, and parts of Florida have double-digit foreclosure rates. Senator Seum observed the housing crisis is probably a result of home value appreciation being out of control.

Senator Tori asked if there is any indication that financial markets will stabilize in spring 2009. Mr. Clare responded that KHC did not have any indication of market stabilization, but is monitoring markets for future opportunities to issue bonds. He added that KHC bonds are rated AAA.

Representative Denham thanked Secretary Miller and Mr. Clare. He then asked Jim Host, Chairman of the Louisville Arena Authority (LAA), to come forward to give an update on the sale of bonds for the Louisville Arena.

Mr. Host discussed the funding of the Louisville arena. He indicated that LAA's proposed variable rate bonds had been in jeopardy because Assured Financial Services had been on credit watch, which took the credit spread from 5 basis points to 200 points. As a result, LAA decided to go with a fixed rate issue in order for the arena financing to work. The Construction Manager-at-Risk reduced the Arena's construction cost from $249 million to $235 million, which saved $15 million, and then LAA added $4 million back in for construction contingencies. Next, LAA ran a proforma on a fixed rate issue to determine how much of net debt they would have and finally, they asked to figure it as taxable debt and convert the subordinate debt into taxable debt which equates $19 million. Assured Guaranty cut the insurance cost from $18 million to $6 million. The result was $580 million of net debt service.

Mr. Host reported that the bonds were sold quickly and were oversubscribed. LAA had some issues with the guaranteed investment contract for the bond issue, which was originally with AIG. When AIG was put on credit watch, LAA called the money and placed it with three AA-rated banks.

Representative Denham asked Mr. Host about the money placed with AA-related banks and whether collateral was required. Mr. Host responded that collateral was posted.

Representative Wayne discussed previous concerns the Committee had with this project, noting that the bond issue was not initially approved by the Committee. He asked whether the economic situation could potentially impact the arena. Mr. Host responded that there is an insurer between the Arena Authority and the bondholders. If LAA defaults on the bonds, the insurer would have to step in, not the state. He added that he did think there would be an economic drag because of the tax incremental financing revenue and the guarantee from the local government. Representative Wayne stated that he hoped the project revenues would be generated as forecasted. He then asked about the naming rights and if LAA has secured those. Mr. Host responded that a firm has been hired to represent LAA and since the arena has been financed, the firm has identified four different prospects. He stated that LAA will continue the negotiations until it receives a price they want.

In response to another question from Representative Wayne, Mr. Host responded that he did not think the economy would be a factor in pricing the naming rights because people are not going to stop spending on marketing and advertising, and the Louisville Arena will be a good value and produce good results for these firms.

Representative Wayne asked for an expenditure report on the $75 million grant provided by the state for the project, which Mr. Host said would be sent to LRC staff.

Representative Wayne then asked about the status of the protests concerning the demolition contract. Mr. Host responded that the protest was ruled by the Finance

Cabinet as not being in order. Representative Wayne then asked if there was any other action anticipated. Mr. Host responded that there was not any he was aware of.

Representative Denham thanked Mr. Host and said no further Committee action was required. He asked Ms. Osborne, Committee Staff Administrator, to review correspondence and information items.

Ms. Osborne said the first item was from the University of Kentucky (UK) and the Kentucky Community and Technical College System (KCTCS) communicating that the final title transfer from UK to KCTCS of former community college properties has been accomplished.

The next item was correspondence from the Council on Postsecondary Education (CPE) informing the Committee of its adoption on September 28, 2008, of guidelines for several postsecondary capital matching funds programs authorized in 2008 HB 406. Guidelines were adopted for the 2008-2010 Capital Renewal and Maintenance Pool, the 2008-2010 Research Capital Match Program, and the 2008-2010 Comprehensive University Capital Match Program. Specific projects funded by these matching fund programs will be presented to the Committee.

The 2008 budget bill provided, for the first time, flexibility to the research and comprehensive universities to allocate a portion of the “Bucks for Brains” endowment program funds for these capital match programs, known as “Bucks for Bricks.”

Next reviewed was correspondence from Northern Kentucky University reporting its plan to use the Construction Management-at-Risk delivery method for its Center for Informatics. Ms. Osborne noted that the university is the first that staff is aware of that has offered stipends for the design contract.

Ms. Osborne briefly discussed the quarterly status reports on capital projects from the Finance and Administration Cabinet as well as all the universities who manage their own capital projects. The quarterly reports will be posted to the Committee’s website.

Also included in the correspondence items was the quarterly report status from the Administrative Office of the Courts. The Gallatin County project, which received approval in November 2006 for an use allowance increase to address cost overruns, was completed in April 2008. At the October 3, 2008 meeting of the Court Facilities Standards Committee (CFSC), projects for Fleming, Breckinridge, and Pike Counties were reviewed. These projects are in Phase A (Schematic Design) and were approved to move forward. The CFSC voiced concern regarding the Pike County project’s ability to be constructed within the authorized use allowance as the construction contingency of 10 percent might have to be lowered to stay within budget.

The last item was from the Kentucky Infrastructure Authority (KIA) transmitting a copy of the City of Hopkinsville's ordinance establishing Stormwater Utility Fees, which was adopted in December 2006. [This item was requested by Committee members at its September 2008 meeting in response to a discussion regarding a Fund A loan in the amount of $4,916,100 for the City of Hopkinsville.]

Ms. Osborne then briefly reviewed various items in the monthly Staff Update. The Kentucky State Fair Board has signed a four-year contract with AEG, one of the largest entertainment booking companies, to bring acts to the Fair Board. The Louisville Arena Authority is also negotiating a contract with AEG for the same purpose. Discussed next was an article regarding the High Performance Building Advisory Committee, which held its first meeting September 17 and is to establish new energy efficient building standards by January 2009 for all state facilities that are funded 50 percent or more with General Funds. Also noted was an article about the Court Facilities Standard Committee, in which Chief Justice Minton discussed improvements to the court facilities construction program.

Representative Denham recognized Bob Wiseman, Vice President for Facilities and Management, University of Kentucky (UK). Mr. Wiseman discussed two real estate purchases. Apartment units at 458 to 464 Rose Lane, located adjacent to the campus, were acquired at a cost of $1,621,900 and will remain as rental apartments for the near term. The second acquisition was of the old Lexington Public Library at 1737 Russell Cave Road and a 5-acre lot. The property is adjacent to 55 acres of land owned by UK and located within close proximity of its research facility allowing for expansion. The purchase price was $1,200,000. No further Committee action was required.

The University also reported purchasing six pieces of technical equipment for UK Healthcare through the lease-purchase procurement method at a total cost of $13 million.

Mr. Wiseman asked the Committee for its approval on the consolidation of budget authorities for the Construct Patient Care Facility Hospital project. The university would like to combine the current 2008 and 2010 authority of $250 million with prior General Assembly authorization of $450 million, as well as incorporate private contributions of $7.3 million.

Senator Buford made a motion to approve the consolidation request. The motion was seconded by Senator Tori and passed by unanimous roll call vote. The revised scope of the project is $700,000,000.

Mr. John Osborne, Vice President Campus Services and Facilities, Western Kentucky University (WKU), reported an emergency project to upgrade the university's steam plant air quality system. Mr. Osborne informed the Committee that WKU determined the project was an emergency for two reasons. One, WKU received a notice of violation issued by the state Division of Air Quality that indicated the steam plant could no longer burn coal without a permit. Second, the bids that were left for the project came in 38 percent above the estimate provided by the consultant. As a result, they have a $1 million budget cost overrun for the project that will be funded through university reserves.

Senator Buford asked what the total cost of the project was. Mr. Osborne said that the original estimate was $2.6 million and the revised scope is now $3.6 million.

Representative Denham thanked Mr. Osborne for his report and noted no further Committee action is required for this emergency project.

Representative Denham then introduced Mr. Larry Owsley, Vice President of Business Affairs, University of Louisville (UL). The university requested a $1,410,000 (1%) federally funded scope increase for the Health Sciences Center Research Campus Phase III project. This project was authorized in the 2004-2006 budget at $65,200,000 and received additional funding of $69,680,000 in the 2006-08 budget for a total project scope of $134,880,000. The additional funds would be used to cover electrical, mechanical, and security systems improvements required to upgrade four of the labs in the building from Biosafety Level II to Biosafety Level III.

Representative Wayne asked Mr. Owsley to discuss the need for the project. Mr. Owsley said that all the research growth was a result of the 1997 HB 1 mandate for the University of Louisville to become a research institution. A fifth research facility for the Health Sciences Campus is identified in UL's 2008-2014 Capital Plan.

Representative Wayne asked Mr. Owsley if the project was on track and if UL had altered the master plan. Mr. Owsley said the project is on track and no changes had been made to the university's master plan.

Senator Tori made a motion to approve the scope increase. The motion was seconded by Representative Wayne and passed by unanimous roll call vote.

Next Representative Denham called on John Hicks, Deputy Budget Director, GOPM. Mr. Hicks introduced Paul Kaplan, Acting Commissioner for the Department for Facilities and Support Services within the Finance and Administration Cabinet. Representative Denham welcomed Mr. Kaplan and asked if he would like to address the Committee. Mr. Kaplan said he did not.

Mr. Hicks then reported that the Finance and Administration Cabinet allocated $73,000 from the Emergency Repair, Maintenance, and Replacement Account for costs associated with the repair of the Department of Public Advocacy's building located in

Lexington. He stated that the project consisted of roof repairs, mold abatement, and related remodeling work.

The next item reported was a $135,000 allocation from the Emergency Repair, Maintenance, and Replacement Account for costs associated with two roof replacements located on the campus of Kentucky State University (KSU) in Frankfort. The total scope of the projects is $373,700, for which the university provided restricted funds of $238,700.

Representative Wayne asked what the balance was of the Emergency Account and if it would be enough to carry through the remaining fiscal year. Mr. Hicks said the account was at an historical low of $2.7 million at the end of fiscal year 2008. In July 2009, $2.5 million from unneeded debt service budgeted in fiscal year 2008 was transferred to the Emergency Account as directed by the budget bill, 2008 HB 406. Not accounting for the $208,000 in allocations reported today, the balance in the Emergency Repair, Maintenance, and Replacement account is $5.2 million.

No further action from the Committee was required. Allocations from the Emergency Account must be reported to the Committee within thirty days.

Mr. Hicks next reported an allocation of $3,268,300 from the Fees-In-Lieu-of Stream Mitigation Pool for the Department of Fish and Wildlife Resources for the Puncheon Creek project in Pulaski County. The scope of work includes restoration and enhancement of approximately 12,210 feet of stream.

Projects in excess of $600,000 funded from the Wetland or Stream Mitigation authorization must be reported to the Committee. No further action was required.

Representative Denham thanked Mr. Hicks for his report. He then introduced Debby Milton, Kentucky Infrastructure Authority (KIA).

Ms. Milton first discussed a KIA Fund B loan for the Graves County Water District. She indicated that this loan was needed as a result of four financially distressed water districts - Consumers, Fancy Farm, Hardeman, and South Graves - merging into the new Graves County Water District. She stated that the merger was approved by the Public Service Commission (PSC) in May 2008 with final approval in September. She noted that merging four districts into one would help eliminate wasteful duplication of cost and effort resulting in sounder management and a higher degree of service to the public. The number of operating water districts in the Commonwealth will also be reduced. The new Graves Water District requested and received approval by the KIA Board to assume two outstanding debts of the Fancy Farm Water District, and to reapply for a loan that was originally approved to the South Graves Water District under the same conditions that were originally approved by the Board in 2007. Since 2003, KIA has been working with the South Graves Water District to reduce and restructure its debt.

Ms. Milton noted that the PSC ruling addresses the rates to be charged to this newly formed system. For the first 18 months following PCS's approval, the rates for each system will remain the same. After the first 12 months, PCS will do a cost of service analysis to determine what rates will be charged for all of the entities at that time. Additionally, in spring 2008, a 2020 grant of $500,000 was provided to the South Graves Water District to help retire a fund C loan, a Rural Development loan, and other outstanding debt. The KIA loans to the new Graves County Water District total $1.5 million with an annual payment of $96,966.

Senator Buford asked by how much the water bills would decrease in 18 months. Ms. Milton said that they would not decrease in 18 months, but possibly could in five years.

Representative Wayne noted that this is a good example of consolidation of government services to achieve economies of scale and save taxpayers money. Ms. Milton gave credit for initiating these consolidations to Roger Recktenwald, a former Executive Director of KIA.

Senator Tori made a motion to approve the Fund B loan for the Graves County Water District. The motion was seconded by Senator Rhoads and passed by unanimous roll call vote.

Ms. Milton next discussed a Fund B Loan for the Prestonsburg City's Utilities Commission for $841,000 to replace all the non-remote read meters with remote read meters. The project has been bid and is ready to start construction. She noted that the loan term is 20 years and the useful life on the new meters is also 20 years. The interest rate is 1.07% with an annual payment of $48,504.

Senator Rhoads made a motion to approve the Fund B loan. The motion was seconded by Senator Tori and passed by unanimous roll call vote.

Ms. Milton next presented a Fund C loan of $517,500 for the City of Union to construct two miles of sewer line extension. The extension would provide sewer line to 75 customers and all the unserved land areas in that region. The project has been bid and is currently under construction. The project will be funded by the new customers through a surcharge.

Senator Buford asked what engineering firm was involved and why the fee was so high. Ms. Milton said the firm was Foppe Technical Group, Inc.

Representative Wayne asked why the City of Union started construction before the Committee approved the loan. Ms. Milton said that the Fund C loan was a last resort loan and the city had other funding sources in place. However, the city did not have enough local funds to complete the project and therefore applied for a Fund C loan which can be quickly executed. She said that this Fund C loan can be approved by the KIA Board, reviewed by this Committee, and receive the funding all within the same month.

Representative Wayne then asked if part of the funding did not need the Committee's approval. Ms. Milton said the city had received line-item grants that had been reported to the Committee which the city used to start construction with.

Representative Wayne made a motion to approve the Fund C loan. The motion was seconded by Senator Tori and passed by unanimous roll call vote.

Next Representative Denham asked Ms. Osborne to read a resolution from the Capital Projects and Bond Oversight Committee of the Kentucky General Assembly honoring Jim Abbott. The resolution noted Mr. Abbott's long and distinguished record of public service with the Finance and Administration Cabinet starting in 1978.

Senator Buford made a motion to approve the resolution honoring Mr. Abbott. The motion was seconded by Representative Wayne and passed by unanimous voice vote.

Representative Denham called on Katie Smith, Deputy Commissioner for Financial Incentives, Cabinet for Economic Development. Ms. Smith asked the Committee for its approval of an Economic Development Bond (EDB) grant of $120,000 to the Pulaski County Fiscal Court for the benefit of Hendrickson USA LLC. Hendrickson will use the grant to offset the cost to acquire, improve, and equip a 75,000 square foot facility on 29 acres in Somerset for the manufacturing of trailer suspension systems for the commercial transportation industry. In consideration for the grant, the company will be required to create 120 new full-time jobs for Kentucky residents within three years of occupancy with average wages not less than $15.11 per hour. Additionally, the company would have to maintain the 120 jobs and wages for another three years. Failure to comply would result in the repayment of grant proceeds to the Pulaski County Fiscal Court.

Senator Buford made a motion to approve the EDB grant for Hendrickson USA, LLC./Pulaski County Fiscal Court in the amount of $120,000. The motion was seconded by Senator Rhoads and passed by unanimous roll call vote.

Next Ms. Smith reported amendments for three EDB grants previously approved by the Committee. Belcan Engineering, Inc. and Purchase Area Industrial Authority requested and received a one-year extension. Institutional Distributors had a reorganization and new names had to be incorporated into the agreement. No Committee action was required.

Representative Denham thanked Ms. Smith and welcomed Mr. Brett Antle, Deputy Director, Office of Financial Management.

Mr. Antle reported one new conduit bond issue - Kentucky Housing Corporation Multifamily Housing Revenue Bonds, Series 2008 (Grand Oaks Apartments Project). Grand Oaks Apartments is the fifth phase of the project intended to revitalize Bluegrass Aspendale, an outdated and distressed public housing development in Lexington. The total project is a multi-phase redevelopment that began in 2004 of the entire 76-acre site. This bond issue addresses approximately 11 acres and will renovate 88 rental units, including row-housing, walk-up, and semi detached units in 27 buildings. The estimated gross proceeds of this transaction will be $8 million.

Representative Wayne asked how many of the 88 units would be for low-income families and how many would be for moderate income families. Mr. Austin Sims, Executive Director of Lexington Housing Authority, said that 100 percent of the 88 units would be for low-income families.

Representative Wayne asked what the reason was for concentrating people with lower incomes in one location. Mr. Sims responded by saying that the site originally housed 963 units. The issue of concentrating large numbers of low-income households was balanced with the issue of maximizing land already owned. He noted that this area has been transformed with a new elementary school, new infrastructure, and new roads. He said the apartments being built are very different from the old row house models and that the target community was very excited.

Representative Wayne said putting the 88 units in one geographic spot in an urban area and isolating low-income households is not good public policy because eventually it costs more in terms of lives that are filled with drugs, alcoholism, and violence. He stated that the ideal is always mixed-income neighborhoods. Mr. Sims said that within the area is a 102-unit subdivision and with this they will achieve a mixed-income neighborhood.

Senator Buford commented that this was a good project and that once the overall design was complete, no one would realize that it was low-income housing because it is so different and unique.

Senator Buford made a motion to approve the Kentucky Housing Corporation Multifamily Housing Revenue Bonds, Series 2008 (Grand Oaks Apartments Project). The motion was seconded by Senator Rhoads and passed by unanimous roll call vote.

Mr. Antle next reported a follow-up report for Kentucky Economic Development Finance Authority Medical Center Revenue Bonds for the Ashland Hospital Corporation (King's Daughters Medical Center Project), Series 2008A, 2008B, and 2008C, in the amount of $146,852,131. The Committee approved this issue at a previous Committee meeting and no action was required.

In regards to the Louisville Arena follow-up report discussed earlier in the meeting, Representative Wayne asked if it would be possible to sell tax increment financing (TIF) bonds for other projects in this financial market. Mr. Antle responded that this was a difficult question to answer given the current market conditions. He stated that current market conditions are making selling any type of debt challenging. He said that if there was a specific scenario that the Committee was interested in, OFM would be happy to report back to the Committee.

Representative Wayne asked in regard to the rating of the Louisville Arena bonds, what weight did the agencies give TIF revenues compared to other sources of revenue. Mr. Antle stated he would have to check and get an answer back to the Committee. Representative Wayne commented that TIF bonds are such unknown variables and any information he could provide would be helpful.

Mr. Antle said included in the members' packets was the Semi-Annual Report of the Kentucky Asset/Liability Commission.

Representative Denham commented that the report was extremely important given the financial situation and encouraged members to look over the report very closely.

Representative Denham asked Senator Tori to take over as Chair and excused himself from the meeting. Senator Tori stated that the new school bond issues were next on the agenda and called on Mr. Antle.

Mr. Antle reported four new school bond issues with School Facilities Construction Commission (SFCC) debt service participation: Ashland Ind. (Boyd Co.), Harlan Ind. (Harlan Co.), Monroe Co., and Paintsville Ind. (Johnson Co.).

Senator Buford made a motion to approve new school bond issues. The motion was seconded by Senator Seum and passed by unanimous roll call vote.

Senator Tori noted that the Debt Issuance calendar was in members' folders.

Senator Tori said the Committee's next meeting is scheduled for November 18, 2008, at 1:00 p.m. in the Capitol Annex Building. With there being no further business, the meeting adjourned at 2:55 p.m.